

# 2010 Vision Into Action

TN ECD Playbook



# Contents



2 **Envisioning a New Economy**

4 **New Jobs, New Opportunity**

6 **2009 Top Projects**

5 **Building Capacity on the Homefront**

7 **Lifting Up the Entrepreneur**

9 **2009 Accolades**

11 **Energy from the Sun**

12 **A Capital Idea**



13 **A Cleaner, Brighter Future**

14 **A Global Perspective**

17 **2009 Tennessee Timeline**

**“Although these are certainly challenging times to say the least, I believe this will become a defining moment in Tennessee’s economic development history.”**

***ECD Commissioner  
Matt Kisber***

## Envisioning a New Economy

In 2009, the state of Tennessee aggressively pursued new jobs and capital investment amidst a backdrop of continuing national recession, corporate retrenchment and job cuts. A wide-ranging effort by the federal government to stabilize the national economy began to mitigate the decline in U.S. GDP growth in 2009 and our nation began to see growth rates turn positive to 2.2 percent in the second quarter and 5 percent in the fourth quarter, the fastest rate of growth since early 2006. But in Tennessee, as with the rest of the nation, companies continued to shed jobs in order to reorient their balance sheets and the state’s jobless rate remained stubbornly in the 10 percent range.

Battling an economic recession which began in 2007, the number of unemployed in the state has nearly doubled over a two year period. In the first quarter of 2009 alone, Tennessee’s manufacturers

shed 18 percent of their jobs. But against this challenging backdrop, there are positive signs. Personal income has continued to grow, and economists are predicting wage and salary growth for 2010 and a gradual increase in the production of durable goods.

In 2009, Tennesseans continued to see hopeful signs in the announcement of several large-scale projects related to the growing clean energy sector, and the billion dollar investment announcements by Hemlock Semiconductor and Volkswagen have begun to generate follow-on investments by related companies across the value chain. Governor Phil Bredesen continued to court foreign direct investment with trade missions to Germany, Japan and China, and the state began to roll out its strategy of developing home grown business growth by launching efforts to



A rendering for the proposed \$250 million Nashville Medical Trade Center that will include a 12-story tower built above the existing Nashville Convention Center.

support the state's entrepreneurs and by creating TNInvestco, a program aimed at luring new capital to Tennessee by awarding tax credits to venture capital funds with a specific expertise in investing in Tennessee start-up companies.

In addition, Tennessee used more than \$62 million in funding from the federal American Recovery and Reinvestment Act to launch the Tennessee State Solar Initiative, a plan to create the Tennessee Solar Institute, a center of excellence for the study of new sustainable energy technologies, the West Tennessee Solar Farm, a five-megawatt solar demonstration farm designed to test Tennessee-made technology and to educate the public, and

a grant program aimed at helping Tennessee businesses expand the base of sustainable energy generating systems across the state.

All of these efforts are part of a strategy to strengthen and diversify Tennessee's economy and to position our state for economic recovery. Tennessee's successes in this area have garnered the attention of prominent economic development publications and praise from policy makers across the country. In 2009, the Pew Center for the States recognized Tennessee as one of the three fastest growing states in the nation for the creation of clean technology jobs. Since January 2003, job creation projects involving the state of Tennessee have created more than 184,000



State and Volkswagen officials celebrated the placement of the first wall at the company's new Chattanooga plant in May 2009.



jobs and attracted more than \$32 billion in new capital investment and 50 corporate headquarters to Tennessee.

Clearly, a vision for job growth and economic development begun by Governor Bredesen and Economic and Community Development Commissioner Matt Kisber in 2003 is yielding results for the people of Tennessee as the Bredesen Administration comes to a close.

## New Jobs, New Opportunity

Despite the economic slowdown in 2009, the state of Tennessee's list of projects being actively pursued remains long and wide ranging. More than 800 projects were actively worked and brought to a successful resolution in 2009, resulting in the creation of 21,524 jobs and \$6 billion in new capital investment.

Especially heartening was Tennessee's success in attracting headquarters and clean technology jobs. The state's largest single project in terms of job creation was the expansion of administrative and technical jobs by Science Applications International Corporation in Oak Ridge, creating more than 800 new jobs. In addition, job growth at the Flextronics distribution center in Memphis and at Simplex Healthcare in Brentwood demonstrated Tennessee's key strengths in logistics and in the health care industry.

One of the projects Tennessee began in 2009 with the strongest job growth potential was the announced plan by Market Center Management of Dallas, Texas to locate the world's first medical trade center on the site of the current Nashville Convention Center. The Nashville Medical Trade Center will be a 1.5 million square foot procurement operation for the latest in medical equipment, technology and software, as well as a training and education center for medical professionals from around the world. Estimates of the economic impact of the project suggest as many as 2,700 new jobs could be created when all three phases of the project are completed.



Tennessee welcomed new companies including Wacker Chemie, the Nashville Medical Trade Center and Hemlock Semiconductor



## Building Capacity on the Homefront

While major corporate investment and new jobs announcements garner headlines and accolades from around the country, it is the basic “blocking and tackling” of community development which lays the groundwork for companies to invest and grow. Since taking office in 2003, Governor Bredesen has taken the approach that job creation is a partnership between the state and local communities and those partnerships can be seen in the growth and success of both legacy programs and new initiatives started under the current administration.

Tennessee's highly regarded Three-Star Community Development certification program has received accolades from nationally recognized organizations like the Southern Growth Policies Board and continues to provide solid value to Tennessee communities with nearly 90 counties and 329 municipalities participating. Three years ago, ECD created the Rural Economic Development Specialists, or REDS, assigned to assist communities with developing strategic plans and implementing state programs in their communities.

continued on page 7.

In the wake of Tennessee's successful recruitment of the \$1.2 billion Hemlock Semiconductor polysilicon facility in Clarksville, Tennessee in 2008, another of the polysilicon industry's giants, Wacker Chemie AG of Germany announced its own plans to build a \$1 billion, 500 employee facility near Cleveland, Tennessee in February 2009. With the announcement, Tennessee became home to the world's two largest manufacturers of polycrystalline silicon, the basic component used in the manufacture of photovoltaic solar panels.

Tennessee's nationally recognized business climate also continued to attract investment across a broad spectrum of industry from transportation manufacturer Carlisle Tire and Wheel's announced decision to create 440 new jobs in Jackson, Tennessee to the state's continued expansion in the food and food processing industries with announced expansions by Standard Candy in Nashville and Unilever in Memphis.

With a mission of creating higher skilled, better paying jobs, Tennessee continues to remain at the forefront of the most competitive states in the U.S. for new jobs and investment.



# TOP '09 PROJECTS

**Science Applications  
International Corporation**  
Oak Ridge, TN  
Expansion

**800** JOBS

Information technology and  
engineering services

## **Flextronics Logistics**

Memphis, TN  
Expansion

**740** JOBS

Distribution center

## **Wacker Chemie, AG**

Cleveland, TN  
New- \$1 billion

**500** JOBS

Polycrystalline silicon  
manufacturer

## **Carlisle Tire and Wheel**

Jackson, TN  
New- \$54 million

**440** JOBS

Tire manufacturer

## **Norfolk Southern Corporation**

Rossville, TN  
New- \$129 million

**429** JOBS

Rail transportation center

## **Simplex Healthcare**

Brentwood, TN  
Expansion

**300** JOBS

Call center

## **Akebono**

Clarksville, TN  
New- \$13.5 million

**282** JOBS

Automotive hub & rotor  
manufacturer

## **Unilever**

Covington, TN  
Expansion- \$100 million

**275** JOBS

Food manufacturer

## **Gestamp Corporation**

Chattanooga, TN  
New- \$90 million

**230** JOBS

Stamped metal automotive parts

## **Standard Candy Company, Inc**

Nashville, TN  
Expansion

**260** JOBS

Candy manufacturer

## **Five Star Custom Foods, Inc**

Nashville, TN  
New- \$20 million

**250** JOBS

Meat products and sauces

## **Delta**

Jackson, TN  
Expansion

**220** JOBS

Faucet manufacturer

## **ISR Group**

Savannah, TN  
Expansion- \$700,000

**204** JOBS

Training, logistics & support of  
unmanned aerial vehicles

## **BJS North America, Inc**

Dandridge, TN  
Expansion- \$7 million

**150** JOBS

Furniture manufacturing

## **Conwood Corporation**

Memphis, TN  
Expansion- \$133 million

**25** JOBS

Tobacco products

## **Packaging Corp. of America**

Counce, TN  
Expansion

**\$120** million

Corrugated boxes

INVESTMENT



Acknowledging the economic health of a community is closely tied to the health of its central business district, Commissioner Matt Kisber revitalized the Main Street program to help communities maintain the vitality of downtown shopping districts and town squares. In 2009, the Main Street program launched several important initiatives aimed at assisting the 23 Tennessee communities taking part in the Main Street program. Grant funds to help Main Street communities enhance downtowns, develop marketing plans, create web sites, improve signage or take other steps to improve their local economies are part of that strategy.

ECD's Community Development division also launched the Rural Technology Assistance Program, a series of grants to local communities of up to \$250,000 to expand broadband usage and a pool of \$1.5 million to increase technology usage in K-12 public schools or to expand distance learning programs.

**"Sustainable economic development is always built on the shoulders of solid community development, and much of that fundamental community development is taking place in our state's rural cities and counties."**

*ECD Commissioner  
Matt Kisber*

at subsidizing the cost of onboarding new employees and the infrastructure development program, which helps local communities build the public infrastructure needed to attract new industry, are vitally important to Tennessee's economic well being.

In 2009, Tennessee utilized \$3 million in FastTrack Job Training Assistance and \$13.3 million in FastTrack Infrastructure Development to train 14,689 workers for new and expanding companies and to leverage an additional 8,137 in new jobs created by Tennessee companies.



The best known program utilized by the state of Tennessee to promote investment and job creation in Tennessee communities is FastTrack. Both the job-training assistance program to companies aimed

## Lifting Up the Entrepreneur

In Tennessee, there is a strong affinity for the entrepreneur. We seek to support the man or woman who works hard to develop an idea, who puts his or her own capital at risk and whose goal is to see a dream realized. In 2003, Commissioner Matt Kisber developed the Business Enterprise Resource Office, or BERO, to help small and disadvantaged businesses get the expertise they need to survive and thrive. The vast majority of companies in Tennessee are small businesses. 80 percent of Tennessee companies have 20 or fewer employees, nearly half have five or less, but taken together, small businesses generate more than \$23 billion in personal income in Tennessee. Finding the right resources for these entrepreneurs can spell the difference between success and failure.

During 2009, ECD's BERO division provided counseling and technical assistance to 1,669 small and disadvantaged Tennessee





companies. This assistance can range from setting up business counseling sessions at community locations around the state to providing small infusions of capital to help a company with liquidity or to purchase a piece of equipment which might help expand a revenue stream. The Rural Enterprise Loan Fund provides loans from \$500 to \$10,000 at low interest rates. BERO also helps small companies

navigate the complex waters of qualifying and bidding for government procurement contracts.

BERO also spearheads participation in Global Entrepreneurship Week each year, coordinating events across the state which allows small business owners to network with each other, share best practices and learn about opportunities to expand



business activities. In 2009, BERO received strong response to a statewide video competition entitled "What Makes You an Entrepreneur?" Global Entrepreneurship Week is an initiative of the Ewing Marion Kauffman Foundation. BERO also distributes the Tennessee Smart Start Guide to help business owners navigate Tennessee laws governing incorporation, insurance and regulation.

BERO was also a co-sponsor of one of the state's widest ranging studies of entrepreneurship in Tennessee, a report by the University of Tennessee Department of Agricultural Economics entitled "Entrepreneurship in Tennessee: Striving for Success." The report was released in 2009 and attendees to ECD's annual Governor's Conference on Economic and Community Development were briefed on its findings for the first time. The study's authors found that compared to neighboring states and the southeast region as a whole, Tennessee has a higher rate of entrepreneurial start ups and continues to be a magnet for those considered part of the "creative class." The study contains several recommendations to promote greater networking and collaboration between entrepreneurs in Tennessee and urges further study to determine barriers to growth among small and start-up companies.

## State of the Year, Tennessee

Southern Business & Development magazine



## Deal of the Year, Volkswagen, Chattanooga, TN

Southern Business & Development magazine



## Top 3 U.S. States for Green Job Growth

Pew Center for the States



## Top 5 States for Business Climate

Site Selection magazine



## Gold Shovel Award, Best Performing State of the Year

Southern Business & Development magazine



## Top Deals of the Year, Volkswagen, Chattanooga, TN

Site Selection magazine

20  
**ACCO**

09  
**LADES**

## **Top Deals of the Year, Hemlock Semiconductor, Clarksville, TN**

Site Selection magazine



## **Corporate Investment & Community Impact Award**

### **Volkswagen, Chattanooga, TN**

Area Development magazine



## **Corporate Investment & Community Impact Award**

### **Hemlock Semiconductor, Clarksville, TN**

Area Development magazine



## **Top 5 U.S. States for Jobs & Business Growth**

Chief Executive magazine



**Governor Phil Bredesen, ECD Commissioner Matt Kisber, Revenue Commissioner Reagan Farr**

## **10 People Who Made a Difference in 2009**

Southern Business & Development magazine

## Energy from the Sun

With the passage of the American Recovery and Reinvestment Act (ARRA) by Congress in February 2009, the Tennessee Department of Economic and Community Development took on a role in the implementation of federal efforts



to reinvigorate the U.S. economy with the implementation of the Volunteer State Solar Initiative. The department helped develop the plan for the initiative with a goal of creating jobs within Tennessee's growing solar industry and drawing attention to Tennessee's potential for the creation of clean technology jobs.

In September 2009, the U.S. Department of Energy announced it had approved the plan for the Volunteer State Solar Initiative and awarded the state \$62.5 million for its implementation. The initiative calls for the creation of a 22-acre five megawatt solar array adjacent to Interstate 40 in Haywood County, Tennessee. The West Tennessee Solar Farm, as it will be called, will be managed by the University of Tennessee and will be a demonstration facility for commercially available solar products, including those manufactured in Tennessee. The Solar Farm also envisions an education center allowing motorists to drive through the array and learn about generating energy through sustainable processes. Energy generated

by the Solar Farm will be purchased by the Tennessee Valley Authority and distributed to local homes and businesses through the local distribution cooperative.

Also part of the Volunteer State Solar Initiative will be the creation of the Tennessee Solar Institute at the University of Tennessee and Oak Ridge National Laboratory. The Institute will be a center of excellence designed to spur growth in the solar industry in Tennessee and will bring together scientists, engineers, entrepreneurs and public policy experts to develop improvements to the efficiency and market penetration of photovoltaic technology. Approximately \$23.5 million of the ARRA grant will be used to create the Solar Opportunity Fund, a series of grants to companies in the solar field seeking to strengthen or expand their operations in Tennessee and to individual Tennessee companies who want to install solar energy systems to offset their energy costs and reduce their carbon footprint.

**"Tennessee has enjoyed considerable success in recruiting solar jobs to our state. The Volunteer State Solar Initiative, funded by the Recovery Act, will help ensure that we have bright prospects for continued clean-energy job growth."**

*Governor Phil Bredesen*

## A Capital Idea

In 2009, the Tennessee General Assembly began working with ECD Commissioner Matt Kisber and Revenue Commissioner Reagan Farr to craft legislation designed to increase the flow of capital to innovative new companies in Tennessee in the early stages of development. Initially proposed as a template of CAPCO legislation adopted by other states, policy makers in Tennessee decided to take a different approach in seeding small businesses with the capital needed to bring a new idea to the broader marketplace and create jobs in the process.

The result was the TNInvestco program, which allocated \$120 million in tax credits to a cross section of venture capital funds with broad experience in developing new companies in Tennessee. Those funds would market the tax credits to insurance companies which would purchase the credits with capital reserves and the venture funds would use the capital to help Tennessee companies grow. Reporting requirements and audits by the Tennessee Office of the Comptroller were put in place to provide oversight.

The goals of the program are to develop the entrepreneurial infrastructure across the state, to attract new capital to Tennessee and to diversify the state's economy and create jobs through the development of "innovation clusters" which result in new companies being spun off.



Revenue Commissioner Reagan Farr and ECD Commissioner Matt Kisber announce the six venture capital firms selected to participate in the TNInvestco program.

In addition to having a strong track record of investment performance, Commissioners

Kisber and Farr said the six TNInvestco funds were chosen for their ability to mentor and advise small companies toward long term success. Both the original sponsors of the TNInvestco legislation in the General Assembly and Commissioners Kisber and Farr have expressed support for the concept of expanding the program beyond the original six funds named in November.

### The funds selected during the initial phase of the TNInvestco program include:

- XMi High Growth Development Fund, LLC, Nashville and Chattanooga, TN
- Tennessee Community Ventures Fund, LLC, Nashville, TN
- Limestone Fund, LLC, Nashville, TN
- Tri-Star Technology Fund, LLC, Nashville, TN
- Innova Fund II, LP, Memphis, TN
- Council & Enhanced Tennessee Fund, LLC, Nashville, TN





## Brighter Future

2009 saw Tennessee assume a leadership role in the development of jobs in the clean technology sector. Following the announcement of a \$1.2 billion facility for the manufacture of polysilicon by Hemlock Semiconductor in 2008, Tennessee was the focus of the solar industry again in 2009 with Wacker Chemie AG of Munich, Germany's announced plan to develop a \$1 billion polysilicon manufacturing facility in Cleveland, Tennessee in February. With the announced investments by two of the world's largest polysilicon manufacturers and the continued growth of Sharp's solar panel assembly facility in Memphis, Tennessee took on a new prominence in the world of renewable energy.

But Tennessee's leadership in clean technology includes sustainable mobility as well. In June 2009, the U.S. Department of Energy announced the selection of Tennessee-based Nissan for a \$1.6 billion federal loan to modify the company's Smyrna assembly plant for the production of zero-emission electric vehicles. In 2009, the all-electric Nissan Leaf was unveiled to the public and, to broaden adoption of electric vehicles in the marketplace, DOE announced Tennessee would be one of five states chosen (and the only non-Western state) to receive federal grant funds for the development and installation of vehicle charging infrastructure. In Tennessee, that means the creation of up to 2,500 charging stations in major markets for the more than 1,000 electric vehicles purchased by

government and commercial fleets as well as individual consumers.

In addition, Governor Bredesen signed into law the 2009 Clean Energy Future Act, which he described as the "cornerstone for all future energy policy in Tennessee." The legislation establishes guidelines for energy efficiency in state construction and procurement policies, establishes a statewide building code for new construction and makes companies in the clean technology sector eligible for the state's Emerging Industry Tax Credit.

Governor Bredesen and Commissioner Kisber also announced the creation of a \$9.3 million grant program for small- and medium-sized cities and counties called the Energy Efficiency and Conservation Block Grant Program, using federal stimulus dollars to help local communities improve the energy efficiency of

their government buildings. \$5.9 million in ARRA funds will also be used to administer and fund rebates to consumers who purchase energy efficient air source heat pumps, central air conditioners and room air conditioners.

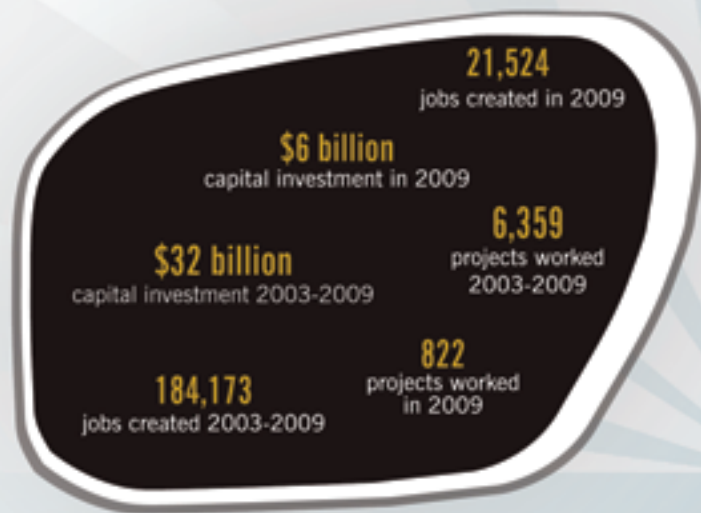




## A Global Perspective

Tennessee continued to maintain its leadership position by aggressively recruiting foreign investment and by continuing efforts to open foreign markets to Tennessee companies. Perhaps the state's most significant success in this area came with Wacker Chemie AG of Munich, Germany's announcement of plans to construct a \$1 billion polysilicon manufacturing facility in Tennessee employing 500 people. But, Wacker wasn't the only European company targeting Tennessee with investment dollars. In August, SIAG-Schaaf Industrie, also based in Germany, acquired the wind turbine tower maker Aerisyn of Chattanooga and announced plans to invest an additional \$3 million into the facility and hire 120 new workers. And in June, Germany-based Gestamp Industries announced plans to develop a \$90 million metal stamping operation to supply the Volkswagen assembly facility under construction in Tennessee.

## The Numbers



Tennessee delegates toured the Alstom Power facilities in Birr, Switzerland while on an ECD trade mission to Europe in June 2009.

Because of Tennessee's success in attracting foreign investment, Commissioner Kisber led trade missions to both Europe and Asia in 2009. Coming on the heels of the Volkswagen announcement in 2008, Commissioner Kisber made a series of presentations to potential Volkswagen suppliers in Hanover at the Southeastern Automotive Supplier Conference in April, then accompanied Governor Bredesen to

continued on page 16.



## TN TOP EXPORT MARKETS

COUNTRY	2008 TOTAL	2009 TOTAL	CHANGE
All Countries	\$23.2 Billion	\$20.4 Billion	-11.9%
Canada	\$6.4 Billion	\$5.7 Billion	-9.8%
Mexico	\$2.5 Billion	\$2.3 Billion	-6%
China	\$1.3 Billion	\$1.2 Billion	-5%
Japan	\$1.07 Billion	\$1 Billion	-6%
United Kingdom	\$1.03 Billion	\$796 Million	-22%
Germany	\$811 Million	\$621 Million	-23%
Netherlands	\$695 Million	\$582 Million	-16%
Australia	\$610 Million	\$557 Million	-8%
Singapore	\$398 Million	\$463 Million	-16%
Belgium	\$667 Million	\$445 Million	-33%

## TN TOP EXPORT COMMODITIES

COMMODITY	2008 TOTAL	2009 TOTAL	CHANGE
Industrial machinery, including computers	\$23.2 Billion	\$20.4 Billion	-11.9%
Optic, photo, medical or surgical equipment	\$6.4 Billion	\$5.7 Billion	-9.8%
Vehicles and parts	\$2.5 Billion	\$2.3 Billion	-6%
Electric machinery, sound & TV equipment	\$1.3 Billion	\$1.2 Billion	-5%
Plastics	\$1.07 Billion	\$1 Billion	-6%
Aircraft parts	\$1.03 Billion	\$796 Million	-22%
Pharmaceuticals	\$811 Million	\$621 Million	-23%
Man-made fibers & woven fabrics	\$695 Million	\$582 Million	-16%
Beverages & spirits	\$610 Million	\$557 Million	-8%
Cotton yarn & woven fabric	\$398 Million	\$463 Million	-16%

the annual Southeast U.S.-Japan Association meeting in Tokyo in October. The Japan trip was followed by a Governor-led trade mission to the Chinese cities of Beijing, Xi'an, Hangzhou and Hong Kong along with more than 40 Tennessee business and industry leaders.

Demonstrating that global trade is not a one-way street, three Tennessee companies were also honored this year for their accomplishments in developing new markets outside the U.S. The annual Governor's Award for Trade Excellence entered its third year and despite a global recession which challenged their efforts, these companies truly brought the Tennessee brand to the world.

## The 2009 Governor's Award for Trade Excellence Winners

### La-Z-Boy of Tennessee

which opened the doors to its 1,202,000 square-foot Dayton facility in 1973 and produces recliners, sleep sofas, reclining sofas and stationary sofas onsite. The company employs more than 1,800 people and exports make up 4 percent of its sales and has had significant success in expanding the export of component parts to customers in China.



### Nucsafe, Inc.

a high technology company specializing in scientific instrumentation and components for medical, commercial and governmental purposes, houses its finance, administration, sales, marketing, research and development, and science group at the Oak Ridge location. Approximately 77 percent of Nucsafe, Inc.'s annual sales in 2009 were direct export sales, up from 44 percent the previous year. Nucsafe, Inc.'s software is designed to provide local language outputs for any country.

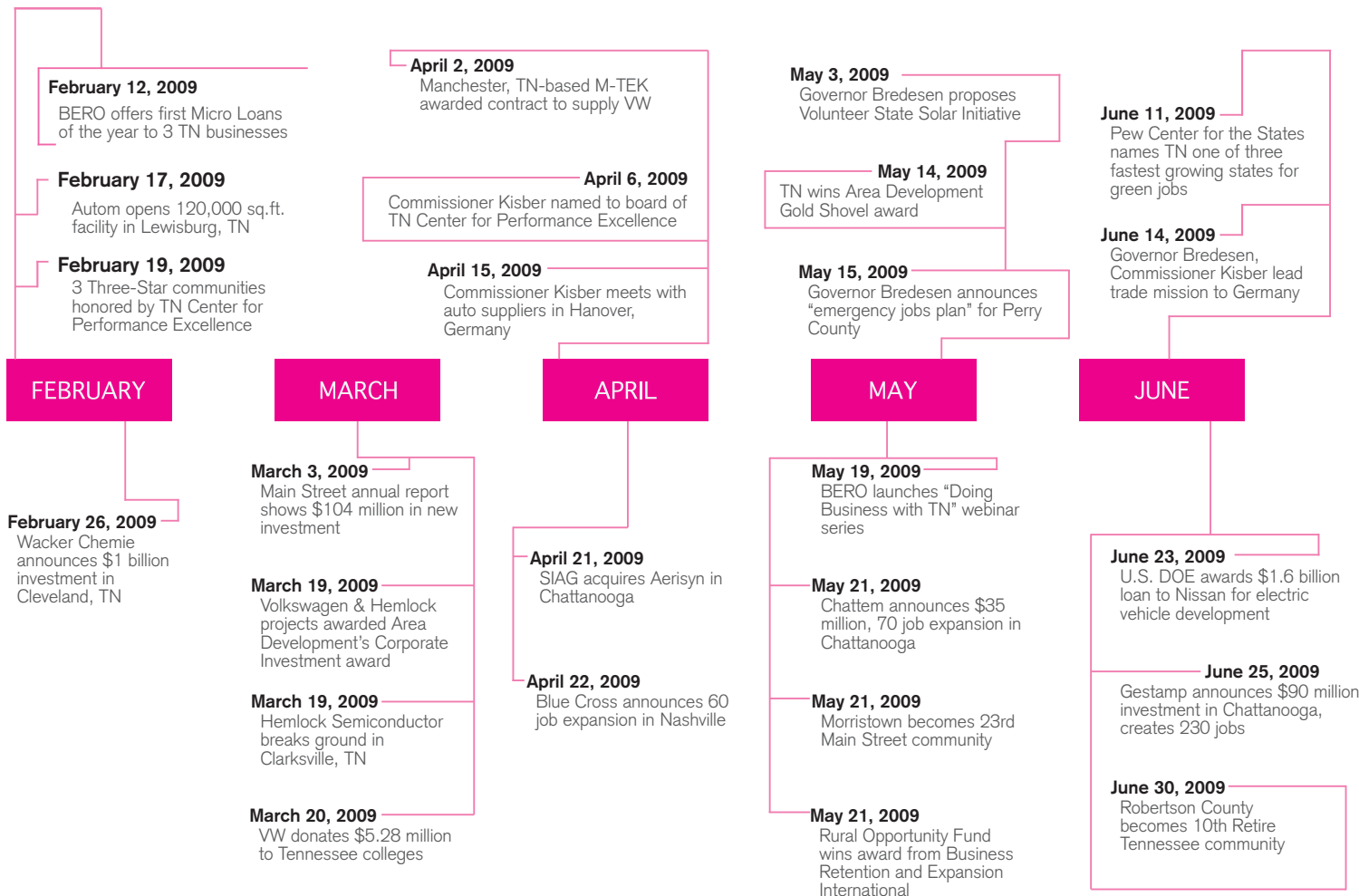
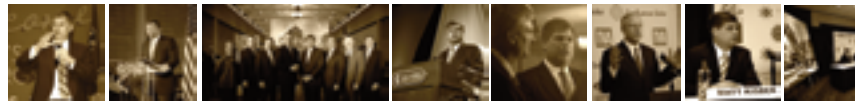


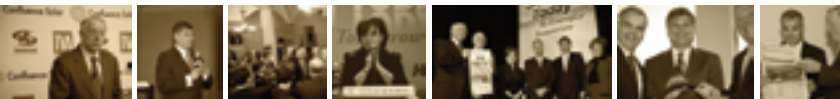
### World Trade Consult, LLC

of Memphis, which helps businesses nationwide limit their risks of loss arising from trade supply and distribution chains. Tennessee companies use World Trade Consult's expertise to protect open account export sales from buyer default. In 2009, 44 percent of World Trade Consult's annual sales were attributed to exports, up 4 percent from the previous year.

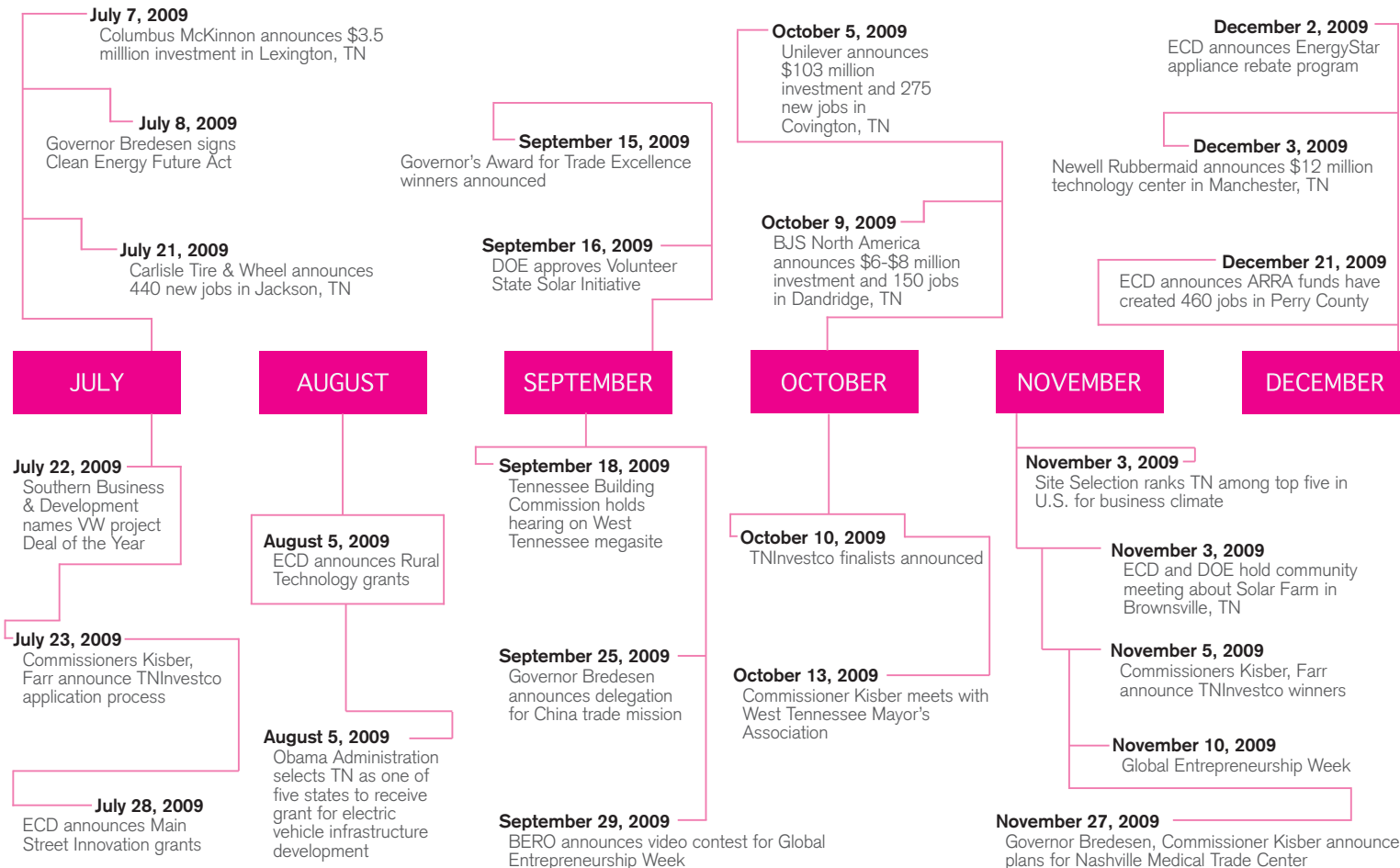


# TENNESSEE TIMELINE 2009





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# 2010

TN ECD Playbook

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